UPDATE ON
Best Practices in Debt Management & Overview on New Securities and Exchange Commission and Municipal Securities Rulemaking Board Rules – Municipal Advisors

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Sanibel, Florida

Presented by:

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Best Practices in Debt Management

Presentation Outline

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LARSON Consulting Services, LLC
Section 1

DEBT MANAGEMENT

What is the project?
What is the Project?

Initial Questions

1. Amount: _____________________________________
2. Timing: ______________________________________
3. Priority, and Source of Request? _________________
   ______________________________________________
4. What assets would be financed? _________________
   ______________________________________________
   Corresponding term of debt?______________________
   ______________________________________________
5. General Fund or Enterprise Fund Project? _________________
6. Other Considerations:
   Fixed Rate Versus Floating Rate, Covenants, Prepayment Ability, O&M Needs, Others
   ______________________________________________
   ______________________________________________
DEBT MANAGEMENT

Traditional Financing Options
Financing Options

A. Pay-As-You-Go Options

Advantages: No Interest Expense
             No Other Costs of Issuance

Disadvantages: Timing
               Size of Project
               Project Feasibility
               Current Availability of Net Excess Revenues
Financing Options

B. Lease Option

Why Lease? Obsolescence

Examples of Leased Assets Telephones, Computer Equipment, Others

Buy Option

Why Buy? Valued, long term asset, control

Examples: Water and Sewer lines, County Building, City Hall, Proprietary Equipment, Public Safety; Design/ Build, Lease To Buy, 6320 Options
C. Short-Term Vs. Long-Term Market Options

These variables change, but typical rules of thumb have been:

1. BAN’s, TAN’s GAN’s
   
   **Purpose:**
   Short-Term bridge financings, in anticipation of greater project definition, or long term “financing” solution or receipt of seasonal revenue source

   **Term:** 6 months to 3 years.

   **Important Issue:**
   Typically need long term “take-out” source also approved/arranged when bridge is structured. May result in two closings and higher cost of issuance. Need to review bond/loan covenants to avoid “additional bonds test” violations.
2. Bank Financing Options

Bank Credit Facilities to short term notes (including BAN’s) to medium term notes – traditionally available up to 10 years, sometimes longer. Some banks and bank leasing “affiliates” have gone out 20 years. Bank’s lending capacity/appetite subject to change. Dynamic, changing environment, no longer a “vanilla” or easy process.

Advantages: Reduce legal/financing costs and fees; “easier process,” privately placed. “Bank qualified” status, or “Public Use” are keys to understand. Short form RFP process helpful.


“Bank Qualified” means:________________________________________
____________________________________________________________

“Public Use” means:____________________________________________
____________________________________________________________

“Prepayment Penalty” means: ________________________________
3. Bond/Capital Markets Option:

Advantages: Available up to 30+ years. If over $10 million and over 10 years, traditionally has been most attractive. Lower interest rates offset higher cost of issuance. Was traditionally a very broad market, with ready access, and multiple “credit enhancement options”. Bond Insured/credit enhanced options have changed drastically over last 3 years! Emergence of Build America Mutual (“BAM”), and return of National Public Finance Guarantee as AA rated bond insurer has been very welcome as additional option to Assured Guaranty. Importance of Issuers proactively obtaining and maintaining minimum “A” category underlying credit ratings. Single issue and “pooled loan program” options also exist, but many changes here also due to liquidity and provider downgrades. Availability of State/Federal subsidized Loan programs.

Disadvantages: Higher cost of issuance, more involved issuance process (i.e. bond and offering documents.) Secondary, ongoing disclosure issues. Requires Finance Team. Since Summer 2008 “Market Freeze”, investor base has shrunk by 40-50%, down to three current AA bond issuers. Bank AAA/AA Letter of Credit capacity either non-existent or prohibitively expensive.
Typical “Finance Team” Members include:

- City/County/Authority/District Staff (“Team Captain”)
- City/County/Issuer’s Counsel (“Fiduciary”)
- Financial Advisor (now regulated by SEC & MSRB)(“Fiduciary”)
- Project Consultant
- Investment Banker/Underwriter(s)
- Bond Counsel
- Underwriter’s Counsel/Disclosure Counsel
- Rating Agencies
- Credit Enhancement Providers (Bank LOC or Bond Insurer)
- Consulting Engineers/Feasibility & Rate Consultants
- PPP Partners
- Public Sector Partner
- Grant Providers
- Other

Financing Options continued
Section 2

FINANCE PLAN

Key Considerations
Financing Plan

A. General Fund Versus Enterprise Fund-General Questions
   - Available net revenues for debt service
   - Is this a cash flow contributing project or enterprise?
   - Existing versus new revenue sources?

B. Details on Financing Plan?
   - Role of Credit Enhancement (Bond insurance, letter of credit, etc.)
   - Rated versus non rated
   - Repayment Plan
   - Construction Schedule (Capitalized interest, investment program)
   - Historical and projected debt service coverage levels
   - “Reliability” of pledged revenues
   - “Sunset” on pledged revenues
   - Do we need a Referendum? (general obligation, sales tax, county surtax, etc.)
B. Details on Financing Plan? (continued)

- If enterprise, existing rate structure? (rate study/feasibility study, do we have “believable” and dependable projections, with a margin for error; sensitivity analysis)

- Increased Opportunities for Public/Private/Public Partnerships

  Examples:
  - Public/Private: ________________________
  - Public/Public: ________________________

- Contingencies
  - Project completion risk
  - “Lease up” or cash flow ramp up period
  - “Sleep at night” account, Restricted Surplus Fund
  - “Trust but verify”

- Tax issues - TEFRA 1986
  1) Ability to borrow
  2) Substantive project (no ghost $)
  3) “Arbitrage” considerations; Spend-down estimates!
  4) “Public Purpose”
Section 3

MUNICIPAL BOND
Market Update on Credit Enhancement
Municipal Bond Market History and Market Update
Municipal Bond Market
History and Market Update

[Graph showing the trends of BBI and Fed Funds from 1/6/00 to 1/6/15]
At the start of the credit crisis in October 2008, spreads began to rise well above the AAA MMD, reflecting concerns with underlying credit quality.
## Municipal Markets: A Changed Landscape

### Credit Support at a Higher Cost
- Letter and lines of credit conditions have changed
- Tougher credit terms
- Shorter duration
- Fewer providers
- Higher costs

### Federal Programs
- New programs authorized under Stimulus Act of 2009 have come and gone
  - Direct subsidy (BABs, Recovery Zone)
  - Tax Credit (BABs, Energy, Education)
  - Tax subsidy (Recovery Zone Facility Bonds)
  - Bank Qualified Bonds ($30 million to $10 million)
  - AMT holiday

### Investor Municipal Credit Sensitivity
- Credit analysis is much more important to the investor
  - Demise of bond insurers
  - Focus on fiscal health of state & local governments
  - Rating agencies

### Economic & Market Conditions
- Fed posture
- Domestic economy
- Commodity prices
- Middle East instability
- Japanese economy
- End of QE3
- Growth of middle market buyers importance
## Credit Ratings Symbols

<table>
<thead>
<tr>
<th>INVESTMENT GRADE</th>
<th>Moody’s</th>
<th>S &amp; P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaa</td>
<td>AAA</td>
<td>AAA</td>
<td>AAA</td>
</tr>
<tr>
<td>Aa</td>
<td>AA</td>
<td>AA</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>A</td>
<td>A</td>
<td></td>
</tr>
<tr>
<td>Baa</td>
<td>BBB</td>
<td>BBB</td>
<td></td>
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<tr>
<td>Ba</td>
<td>BB</td>
<td>BB</td>
<td></td>
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<tr>
<td>B</td>
<td>B</td>
<td>B</td>
<td></td>
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<tr>
<td>Caa</td>
<td>CCC</td>
<td>CCC</td>
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<td>Ca</td>
<td>CC</td>
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<td>IN DEFAULT</td>
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<td>D</td>
<td>DDD</td>
<td>DD</td>
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<tr>
<td>C</td>
<td></td>
<td></td>
<td>D</td>
</tr>
</tbody>
</table>

*Does not include Kroll bond rating agency.*
## Credit Enhancement & Ratings

<table>
<thead>
<tr>
<th>Bond Insurers</th>
<th>Fall 2004 Rating</th>
<th>Update Ratings/Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACA Financial Guaranty Corp.</td>
<td>A</td>
<td>NR / NR / NR (RunOff Only)</td>
</tr>
<tr>
<td>AMBAC</td>
<td>AAA/Aaa/AAA</td>
<td>Bankruptcy Filing – November 2010, Regulatory Supervision</td>
</tr>
<tr>
<td>Assured Guaranty Municipal Corp.(AGM) (ex FSA)</td>
<td>N/A</td>
<td>AA, Stable (S&amp;P) / A2, Stable (Moodys) Fitch (NA), AA+, Stable (Kroll)</td>
</tr>
<tr>
<td>Berkshire Hathaway Assurance Corp.</td>
<td>N/A</td>
<td>AA+ (Negative) / Aa1 (Stable) / AA, NR, NR</td>
</tr>
<tr>
<td>Build America Mutual (BAM)</td>
<td>N/A</td>
<td>AA, Stable (S&amp;P), NR, NR, NR</td>
</tr>
<tr>
<td>CIFG Assurance (Assured Guaranty)</td>
<td>AAA</td>
<td>NR / NR / NR / NR</td>
</tr>
<tr>
<td>FGIC</td>
<td>AAA/Aaa/AAA</td>
<td>NR / NR / NR / NR</td>
</tr>
<tr>
<td>FSA</td>
<td>AAA/Aaa/AAA</td>
<td>NA; Part of Assured Guaranty</td>
</tr>
<tr>
<td>MBIA</td>
<td>AAA/Aaa/AAA</td>
<td>B (Neg) / Ba3 (Negative) / NR</td>
</tr>
<tr>
<td>National Public Finance Guar. Corp (f/k/a MBIA Insurance Corp. of Illinois)</td>
<td>N/A</td>
<td>AA-, Stable (S&amp;P)/ A3, Negative (Moody’s), NR, AA+, Stable (Kroll)</td>
</tr>
<tr>
<td>Radian Asset Assurance Inc.</td>
<td>N/A</td>
<td>BB- (Dev) / Ba1 (Dev) / NR</td>
</tr>
<tr>
<td>Syncora Guarantee Inc. (f/k/a XL Capital/Security Capital)</td>
<td>AAA/Aaa/AAA</td>
<td>NR / NR / NR (Regulatory supervision)</td>
</tr>
</tbody>
</table>

Source: Bond Buyer; Insurer Websites, Ratings are in order of S&P / Moody’s / Fitch / Kroll Subject to change.

Larson Consulting Services, June 2016
Section 4

DEBT MANAGEMENT

Developing A Financing or Refunding Plan Options
Bond Issuance Process

Steps to a Bond or Bank Issue

1. Assessment of Capital Needs
2. Selection of Debt Instrument
3. Structuring the Debt Issue
4. Selection of Debt Instrument
5. Preparation of Documents
6. Selecting the Method of Sale
7. Bond Sale and Marketing
8. Rating Agency/Credit Enhancement
9. Bond or Bank Closing
10. Post Sale Activities / Investments

(1) Slight changes if a Bank Placement
Fiscal Objectives

Prior to Finance/Project Team being selected or engaged to proceed, Issuer Staff should develop understanding of:

- Scope of Project
- Timing of Need
- Status of Internal Approvals
- City/County Manager/Authority/District’s Objectives, Requirements, Sensitivities
- Elected Officials’ Objectives, Concerns, Mandate
Fiscal Objectives

Following Finance Team Engagement, Finance Officers/City/County Manager, should:

1. Go over key objectives with Finance Project Team

2. Determine more specific financing parameters such as:
   - Pledged Revenues
   - Legal Challenges
   - Timing
   - Existing and Proposed Financial Covenants
   - Performance Parameters and Objectives Regarding Costs, Capital Costs, Ratings, Credit Enhancement

3. Finance Director’s Comments and Recommendations From Bond Issuance, Refunding and Bank Placement Recent Experiences
Options (1)

**BANK PLACEMENTS**
- Prefer “essential service” credits
- Some lenders only go out 7 to 10 years, fewer 15 to 20 years
- BQ vs. Non BQ
- Covenants & Considerations
- Easier, Quicker
- Tax Issues
- Acceleration Issues

**BOND ISSUES**
- Longer Term
- Best for “AA” rated issues
- Improving options on Credit Enhancement
- Call Provisions
- More time, more complicated, more thorough
- Select Good Team

(1) Subject to change based on changing market conditions.
Bank Placement Issues

- Parity Issue or Junior Lien
- Documentation
- RFP Process, Banking Relationships
- Capital Adequacy
- Refunding Flexibility, “Make Whole” Clause
- Tax Risk
- DSRF
- Acceleration Issues
- Increased Scrutiny from Rating Agencies
- Is it a Loan or “Security”?
Bond Issues

- If AA- or Better, Market Open
- If A+ or Less, More Analysis on Credit Structure, Cost-Benefit Analysis on Bond Insurance
- DSRF vs. DSR Surety
- BAM in Florida is a welcome addition to only one provider Assured Guaranty, “Return” of MBIA/ National Public Finance Guarantee not readily accepted yet
Short Term “Bank Qualified” Results (“AA/A” Credit)

5 Year Indicative Fixed Rates: 1.25% to 1.80%

10 Year Indicative Fixed Rates: 1.75% to 2.45%

5 Year Taxable Rates: 1.65% to 2.40%

(1) Estimates, indicative rates as of August 5, 2016 subject to issuer, credit structure, market conditions.
# Update on Long Term Bank Placement Indicative Rates

<table>
<thead>
<tr>
<th></th>
<th>15 Years:</th>
<th>20 Years:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BQ</strong></td>
<td>2.50% to 3.75%</td>
<td>2.65% to 4.10%</td>
</tr>
<tr>
<td><strong>NonBQ</strong></td>
<td>2.90% to 4.10%</td>
<td>3.05% to 4.35%</td>
</tr>
</tbody>
</table>

(1) Estimates, indicative rates as of August 5, 2016 subject to issuer, credit structure, market conditions.
Global concerns continue to be an issue driving flight-to-quality

With global rates in low or negative territory, investors have been attracted to relative value of municipal bonds

Tax exempt rates have recently moved well through the historical lows established in late 2012

<table>
<thead>
<tr>
<th>MMD</th>
<th>November 2012</th>
<th>October 17, 2016</th>
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</thead>
<tbody>
<tr>
<td>10-Year AAA</td>
<td>1.47%</td>
<td>1.71%</td>
</tr>
<tr>
<td>20-Year AAA</td>
<td>2.10%</td>
<td>2.41%</td>
</tr>
<tr>
<td>30-Year AAA</td>
<td>2.47%</td>
<td>2.56%</td>
</tr>
</tbody>
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### Investor Maturity Preferences

<table>
<thead>
<tr>
<th>Buyer Category</th>
<th>Term / Maturity (Year)</th>
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<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td></td>
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<tr>
<td>Corporate Cash Managers</td>
<td></td>
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<tr>
<td>Short-Duration Bond Funds</td>
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<tr>
<td>Municipalities</td>
<td></td>
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<tr>
<td>Professional Retail</td>
<td></td>
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<tr>
<td>Individual Retail</td>
<td></td>
</tr>
<tr>
<td>Intermediate Bond Funds</td>
<td></td>
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<tr>
<td>Bank Trust Departments</td>
<td></td>
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<tr>
<td>Insurance Companies</td>
<td></td>
</tr>
<tr>
<td>Long-Term Bond Funds</td>
<td></td>
</tr>
<tr>
<td>Relative-Value Buyers</td>
<td></td>
</tr>
<tr>
<td>Bank Portfolios</td>
<td></td>
</tr>
</tbody>
</table>

**Commentary**

- **Money Market Funds**: Active 13 months and in. Main buyers of sealed-bid maturities.
- **Corporate Cash Managers**: Target is 2 years and in; sometimes out to 5 years. Need high-quality paper with higher yield than agency debt.
- **Short-Duration Bond Funds**: Target 15-20 years. Can buy 4% or 5% coupons.
- **Municipalities**: Most focused on yield and retail arbitrage opportunities. Target out to 8-10 years, where bonds are typically non-callable. Prefer par-ish bonds.
- **Bank Trust Departments**: 12 to 25 years; are more dollar price sensitive than bond funds. Often will accept 4-handle coupons.
- **Insurance Companies**: Max yield buyers, focusing on 20-30+ years. More focused on liquidity and deal size than short/intermediate funds. Minimum 5% coupon.
- **Intermediate Bond Funds**: Inside of 5 years. Need high quality credits.
- **Bank Portfolios**: Can buy 2-5% coupons depending on maturity.
- **Long-Term Bond Funds**: Target 2-15 years. Need the income and coupon protection of a 5% structure.
- **Relative-Value Buyers**: Out to 15 years and select maturities in 20, 25, & 30 years. Not sizable on their own but will accept lower coupons.
- **Individual Retail**: Target is 5 years and in. Can buy 3-5% coupons.
- **Professional Retail**: Are less constrained by deal size than long-end funds.

*Source: RBC Capital Markets*
## Recent Bond Market Rates (1)

<table>
<thead>
<tr>
<th>Year</th>
<th>April 2014 Tax Exempt Yields “A” Rating with Assured</th>
<th>October 2017 Tax Exempt “AA” Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.58%</td>
<td>0.58%</td>
</tr>
<tr>
<td>5</td>
<td>1.86%</td>
<td>1.75%</td>
</tr>
<tr>
<td>10</td>
<td>3.00%</td>
<td>2.13% (1)</td>
</tr>
<tr>
<td>20</td>
<td>3.85%</td>
<td>3.16% (1)</td>
</tr>
<tr>
<td>30</td>
<td>4.02%</td>
<td>3.06%</td>
</tr>
</tbody>
</table>

(1) Yields also impacted on premium versus discounted bonds.
Value of AA vs A Rating

- Approximately 3 to 10 basis points per year
- On a $20,000,000 Bond, 30 year Typical Florida Municipal Financing
  - Average Annual Debt Service Savings: Est: $55,000
  - Total Debt Service Savings: Est: $1,650,000
- Eliminate bond insurance premium (est. $500,000)
Section 5

BEST PRACTICES IN DEBT MANAGEMENT:
A Review of Rating Agency Considerations
Importance of Ratings

A. What is a Rating and Why Does It Matter?

B. Key Rating Considerations

C. How to Prepare for a Rating Presentation or Annual Surveillance Review
What Is a Rating?

- Forward-looking independent assessment of credit quality
- Letter representation of the likelihood of full and timely repayment over the life of a specific financial obligation
- Based on issuer’s ability and willingness to pay on time
- Ability to pay - quantitative
- Willingness to pay – qualitative, historical actions and policies
Why Do Ratings Matter?

- A bridge between issuer and investors
- Increased investor knowledge and acceptance
- Higher underlying ratings = lower interest rates = lower annual debt service costs
Four Keys to Credit Analysis

- Economy
- Debt and other long-term liabilities
- Financial performance
- Management and administration
The Rating Process

- Offering and legal documentation
- Data and management discussion
- Rating committee, communication and dissemination through the financial newswires
- Appeal process, if necessary
- Surveillance
Section 6

TYPICAL ISSUES AND RECOMMENDATIONS
Post Bank / Bond Activities

- Actual Versus Projected Results
- Accounting Issues
- Keep “Interested Parties” Informed Via City/County Website or Dissemination Agent i.e., (DAC) Authority/District Web Page
  - Investors
  - Underwriter(s)
  - Financial Advisor
  - Rating Agencies
  - Bond Insurers/Banks
  - Elected Officials
Bond Closing/Post Sale Activities

**Investments**
- Transactional Versus Managed
- Investment Contracts
- Arbitrage Considerations

**Investment Options**
- GICs, Flex Repos
- Laddered Portfolio – Competitively Bid
- LGIP, Money Market Fund, Prime Fund, or Equivalent
- (Qualified Public Depositories – QPD’s)
Recommendations

1. Plan well, look at your options, get organized and then run hard.
2. Hire a good core team at the beginning of the process.
3. Don’t be afraid to ask questions.
4. Create clear and measurable objectives, review.
5. Set up an achievable timetable, with appropriate input, and seek help from the core team members to help manage process (Good cop vs. Bad cop.)
7. Let results speak for themselves – don’t be afraid to summarize good news.
Section 7

OVERVIEW
Role of the SEC & MSRB
Section 7

Overview – Role of SEC and MSRB

Historical Impact on Local Governments

- Securities and Exchange Commission (“SEC”)
  - Role
  - Application to Municipal Issuers, Investors
- Municipal Securities Rulemaking Board (“MSRB”)
  - Role, “SRO”
  - Application to Municipal Issuers, Investors
Section 7

- **SEC**
  - Established as primary enforcement and regulatory organization by federal legislation, protect investors
  - Maintain fair, orderly and efficient markets

- **MSRB**
  - 21 Member Board
  - Municipal issues traditionally fell to self-regulatory organization ("SRO"), MSRB, to write rules for the municipal securities market as set forth in Section 15B of Securities Exchange Act
  - Prevent fraudulent and manipulated acts and practices, facilitate transactions, protect investors, issuers
Following financial crisis in 2008, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank")

Dodd-Frank first addressed regulatory reform issues for broker dealers and bank related to mortgage back securities and derivatives

Dodd-Frank also amended section 15b of the Securities Exchange Act of 1934 ("the Exchange Act") to establish a new federal regulatory regime for financial or municipal advisors ("MA’s")

Provided SEC with greater direct access to Municipal market
Office of Municipal Securities – reviewed municipal securities market and issued comprehensive report in 2012, focusing on:
  - Disclosure and transparency
  - Financial reporting and accounting
  - Investor education and protection

Now called Public Finance Abuse Unit (formerly Municipal Securities and Public Pensions Unit)

"We certainly are upping our scrutiny in this area"
Andrew Ceresney, Director of SEC’s Division of Enforcement, in regards to municipal securities (The Bond Buyer, Nov 10, 2014)
Dodd Frank Cont.

- **SEC Public Finance Abuse Unit**
  - As few as 2 people in 2013
  - On September 11, 2015, announced staffing up to 30 in eight areas around the country
  - Since 2013, enforcement actions brought against 18 state or local governmental entities and against 16 issuer officials
  - In contrast, in 14 years from 1999 through 2012, SEC resolved disclosure actions against only 11 state or local entities and 10 officials

- **Recent areas of SEC enforcement**
  - Charging public officials with fraud for misleading public statements in connection with bond financings (Miami, Allen Park, Mich.)
  - Fraud charges against Ramapo, NY, its local development corporation, and four town officials who allegedly hid deteriorating financial situation from bond investors
  - SEC alleges Ramapo officials resorted to fraud to hide strain in town’s finances caused by $60 million cost to build baseball stadium as well as town’s declining sales and property tax revenues
Section 8

What is a Municipal Advisor?
What is a Municipal Advisor?

- SEC issued a final rule in September 2013 to provide guidance for determining whether a firm or professional is engaging in municipal advisor activities
- **Who does this include?**
  - Financial Advisors
  - CPA’s, Auditors
  - Underwriters
  - Banks
  - Bond Counsel, Disclosure Counsel
  - City/County Commission
  - Debt Advisory Committee
  - Feasibility/Rate Consultant
  - Swap Advisor
  - Investment Advisor
Municipal Advisors

New Regulations Include:

- MA’s required to register with the SEC (Rule A-12) as a new regulatory agency of MA’s (Rule D-14), and pay assessments for MA Professionals (Rule A-11)
- MSRB Rule A-3; MSRB Board to include MA representative
- MA’s determined to have a “fiduciary” duty to municipal clients
- MSRB granted rulemaking authority over MA’s (Rule A-8)
- MSRB Rule G-8 and G-9: Books and Records
Municipal Advisors Cont.

Municipal Advisors New Regulations Include:

- MSRB Rule G-17; “fair-dealing rule”
- MSRB Rule G-20; “gifts and gratuities”
- MSRB Rule G-42; MA Standards of Conflict
- MSRB Rule G-5; “disciplinary actions”
- MSRB Rule G-44 (b, c, d); MA Firms to establish Supervisory System, written Supervisory Procedures, formal inspections by Compliance Officer
- MSRB Pilot Series 50 Municipal Advisor Exam
- MSRB Regular Series 50 MA Exam
- Remember MSRB Rule G-23; “Financial Advisory Relationship”
- MSRB Rule G-37 – Political Contributions
Section 9

THINGS TO CONSIDER
Things to Consider

Municipal Advisor Rules: Implications for Florida Local Governments

New regulatory framework for “independent” Financial Advisor professionals and their firms that were not previously licensed professionals at a Broker Dealer and used to FINRA, MSRB, SEC, NYSE rules and regulations.

Additional assessments, time, and expanded compliance departments a new cost to many FA firms, particularly a burden to smaller FA firms.

Extends sometimes into firms active in other areas that have now registered as MA’s if involved with:

- Interest Rate swaps, caps, collars – “Swap Advisory”
- Investments of Bond/Note Proceeds
- Some feasibility/financial consultants

Banks, Investment Banks required/requiring themselves, to adjust to relationships with public issuers of debt.
Many Investment Bankers/Broker Dealers if underwriter/placement agent on Note or Bond proceeds are no longer involved with investment of proceeds

Banks and Underwriters responding to Bank or Underwriter RFP’s often include G-17 language in their RFP responses citing that…

- “none of the Firm’s officers are serving as a municipal advisor,
- “none of the Firm’s offices are subject to the fiduciary duty established in Section 15 B(c)(1) of the Exchange Act”,
- “in context of potential engagement between a firm’s entity and you” and in discussions, communications, conferences, and undertakings, each “Firm” entity will act as principal and not in a fiduciary capacity, no “Firm” entity assumed an advisor or fiduciary in favor of you, and no “Firm” entity is acting as your financial advisor
Things to Consider Cont.

Municipal Advisor continued...

- The “Bank” entities have financial and other interests that may differ from yours
- Each “Bank” entity advises you to consult your own legal, financial and other advisors to the extent you deem appropriate
- Many Banks and Underwriters require the Municipal’s “CEO” or “CFO” to provide an executed G-17 letter prepared by that firm as evidence of the client’s understanding and acknowledgement of this non-fiduciary relationship
- Many Banks and Underwriters or Swap Providers/Brokers are requiring that the local Government also confirm that they have their own independent MA who is providing advice on the transaction
- Many Banks and Underwriters will no longer provide proactive, financing, or refunding analysis or proposals unless done within the context of an RFP where the local Government has a Financial Advisor or the Local Government signs a G-17 letter regarding the analysis
Section 10

QUESTIONS?
Section 11

APPENDIX

- Speaker Bio
- Sample MA MSRB Registration and SEC Registration Approvals
Jeffrey T. Larson  
President, Larson Consulting Services  
Tel: 407.496.1597 jlarson@larsonconsults.com

Based in Orlando, and as President of Larson Consulting Services (“LCS”), an independent SEC and MSRB registered financial advisory firm, Jeff has successfully closed a wide range of municipal project finance and corporate financings totaling over $6 billion. Florida projects have ranged from negotiating and structuring transportation/road improvement programs, higher education project financings, multiple utility acquisitions, extensive water and wastewater capital expansions, investments support services, economic development and redevelopment initiatives, utility enterprise restructurings, refinancing and restructuring, downtown redevelopment, CRA TIF financings, debt and lease purchase private placements, multiple public/private partnership project finance issues, multiple phased Charter School financing, and a $240 Million University / Developer PPP Project financing. In May of 2011, Jeff and FMAS was asked by the AAAm rated FL SAFE Local Government Investment Pool (“LGIP”), to serve as its Administrator and Executive Director. He has served many Florida governments since 1992 as an Investment Banker, Financial Consultant, Administrator, or Financial Advisor.

Prior to establishing LCS and FMAS, Jeff managed D.A. Davidson’s Southeast Regional Investment Banking Office. Prior to joining D.A. Davidson, Mr. Larson was the S.E. Regional Director Investment Banking and Consulting Services with Kirkpatrick Pettis, the investment banking arm of Mutual of Omaha, the Managing Director for Stifel Nicolaus/Hanifen Imhoff, and a Vice President, Investment Banking for SunTrust Capital Markets in Orlando, Florida. Recruited by these firms, he specialized since 1992 in Florida with the structuring and marketing of a variety of public finance and capital markets products. Prior to that, he spent ten years with C & S/Sovran in Atlanta and Barclays Bank PLC in Atlanta and San Francisco as a corporate finance, large corporate/Fortune 500, and Middle Market Banker.

Mr. Larson received his MBA degree on an academic scholarship from Emory University, Atlanta, Georgia, in 1982. As part of his MBA graduate work, Mr. Larson worked, studied and taught in Germany and Austria and was a Fulbright Scholar at the Johannes Kepler University in Linz, Austria. He received an A.B. in Business Administration with honors in 1980 from Franklin & Marshall College, Lancaster, PA. Mr. Larson has held professional licenses with the State of Florida, FINRA (previously the National Association of Securities Dealers (NASD)), and MSRB that have included a Series 7 General Securities, Series 63, Series 53 Municipal Principal, and Series 24 FINRA General Securities Principal licenses. Mr. Larson currently holds a Series 50 Municipal Advisor license.

Jeff is a frequent speaker at industry conferences including the annual FGFOA, FCCMA, Florida Bond Buyer, FICPA, Florida Redevelopment Association (FRA), Florida Bar Association, Florida League of Cities, FGFOA Webinars, FINRA, Regional FGFOA Chapter meetings, and Annual FGFOA Institute (School of Governmental Finance) on topics ranging from “the Bond Issuance Process”, “Best Practices in Debt Management”, “Best Practices in Investment Management”, “Planning and Capital Financing”, to “Public-Private Partnership Financings.” Jeff has also served as a member of the FGFOA Annual Conference Program Committee for over 20 years.
Larson Consulting’s Team of Professionals provide financing solutions for many types of clients in Florida, the Southeast, and across the country. We specialize in a number of practices in which we have significant expertise. Our primary areas of focus include the following:

- Infrastructure Financings
- Special Districts and Land Development
- Higher Education
- Resort Communities
- Housing Agencies
- CRA & TIF Improvement Districts
- Tribal Finance
- Healthcare Finance
- Charter Schools
- Growth Management and Capital Planning
- Developer Project Negotiations
- Arbitrage Support

- Workforce Housing
- Project Financings
- Utility Financings
- Public Private Partnerships
- School Districts
- Project Consulting Services
- Lease-Purchase Financings
- Internet-Based Public Sales
- Alternative Energy
- Rural Water
- State Governments
- Utility Acquisition Analysis
- Refundings and Restructurings
- Investment Support Services
**MSRB Registration - Printable Summary**

MSRB records include the following registration information for your organization as of 1/2/2013 4:09:10 PM Eastern

**Organizational Details**

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<tr>
<td>Phone Number</td>
<td>407 - 496 - 1597 407 Ext.</td>
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<tr>
<td>Fax Number</td>
<td>407 - 542 - 3791</td>
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<td>Address 1: City:</td>
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</tr>
<tr>
<td>State: Zip:</td>
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**Organizational Type(s):**

1. **Municipal Advisor - Status: Authorized**

**Municipal Advisory Activities Include:**

1. Financial Advisor
2. Swap/Derivative Advisor
3. GIC Broker/Advisor
4. Placement Agent

**Municipal Advisor SEC ID:** 866-00215-00

**Optional Contact:**

<table>
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<tr>
<th>First Name</th>
<th>Jeffrey</th>
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<tbody>
<tr>
<td>Middle Name</td>
<td>Thomas</td>
</tr>
<tr>
<td>Last Name</td>
<td>Larson</td>
</tr>
<tr>
<td>Suffix</td>
<td>Mr.</td>
</tr>
<tr>
<td>Email Address</td>
<td><a href="mailto:jlarson@larsonconsults.com">jlarson@larsonconsults.com</a></td>
</tr>
<tr>
<td>Phone Number</td>
<td>407 - 496 - 1597 Ext.</td>
</tr>
<tr>
<td>Address 1:</td>
<td>11 University Blvd.,</td>
</tr>
<tr>
<td>City: State: Zip:</td>
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<tr>
<td>Address 2:</td>
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**Billing Contact:**

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<tr>
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<tr>
<td>Email Address</td>
<td><a href="mailto:jlarson@larsonconsults.com">jlarson@larsonconsults.com</a></td>
</tr>
<tr>
<td>Phone Number</td>
<td>407 - 496 - 1597 Ext.</td>
</tr>
<tr>
<td>Address 1:</td>
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<tr>
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July 23, 2014

IN THE MANNER OF:
Larson Consulting Services, LLC, dba, Larson Consulting Services
10151 University Blvd., # 117
Orlando, FL 32817
SEC FILE NO.: 867-00092
Application Completion Date: July 22, 2014

ORDER GRANTING
REGISTRATION PURSUANT TO
SECTION 15B(a)(2) OF THE
SECURITIES EXCHANGE ACT
OF 1934

The above-named Applicant has completed its application with the Commission for registration as a municipal advisor pursuant to Section 15B(a)(2) of the Securities Exchange Act of 1934 (the “Act”) on the above-referenced application completion date.

The Commission finds that the application contains the information prescribed under Section 15B(a)(2) of the Act and the rules thereunder. The Commission has not passed on the accuracy or adequacy of the information, and the effectiveness of Applicant’s registration does not imply Commission approval or disapproval of Applicant’s registration.

Accordingly, it is ORDERED, pursuant to Section 15B(a)(2) of the Act that the Applicant’s registration be, and hereby is granted effective forthwith.

For the Commission, by the Office of Compliance Inspections and Examinations pursuant to delegated authority.

[Signature]
Deputy Secretary